

SOUTHERN IOWA TROLLEY
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEARS ENDED JUNE 30, 2021 AND 2020

SOUTHERN IOWA TROLLEY

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SOUTHERN IOWA TROLLEY
Officials
June 30, 2021

(Before January, 2021)

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Dan Christensen	Chairperson	Decatur County
Steve Shelley	Vice-Chairperson	Adair County
Rick Friday	Secretary-Treasurer	Union County
Larry Keller	Trustee	Clarke County
Kraig Pennington	Trustee	Ringgold County
Jerry Murphy	Trustee	Taylor County
Merlin Dixon	Trustee	Adams County
Leesa Lester	Transit Director	

(After January, 2021)

Steve Shelley	Chairperson	Adair County
Larry Keller	Vice-Chairperson	Clarke County
Rick Friday	Secretary-Treasurer	Union County
Merlin Dixon	Trustee	Adams County
Dan Christensen	Trustee	Decatur County
Colby Holmes	Trustee	Ringgold County
Pam Wilmarth	Trustee	Taylor County
Leesa Lester	Transit Director	

Gronewold, Bell, Kyhnn & Co. P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
of Southern Iowa Trolley
Creston, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Southern Iowa Trolley (a 28E Organization) which comprise the statements of net position as of June 30, 2021 and 2020 and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern Iowa Trolley as of June 30, 2021 and 2020 and the changes in its financial position, and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees
of Southern Iowa Trolley

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis, the Schedule of the Organization's Proportionate Share of the Net Pension Liability and the Schedule of Organization Contributions on pages 3 through 3c and on pages 19 through 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Southern Iowa Trolley's basic financial statements. The supplementary information included in Schedule 1, the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 10, 2021 on our consideration of Southern Iowa Trolley's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Southern Iowa Trolley's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Southern Iowa Trolley's internal control over financial reporting and compliance.

Concurrence, Ben, Lyman & Co. P.C.

Atlantic, Iowa
December 10, 2021

SOUTHERN IOWA TROLLEY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Southern Iowa Trolley provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal years ended June 30, 2021 and 2020. We encourage readers to consider this information in conjunction with the Organization's financial statements, which follow.

2021 FINANCIAL HIGHLIGHTS

- The Organization's operating revenues increased 13%, or \$246,772, from fiscal 2020 to fiscal 2021.
- The Organization's operating expenses were 21%, or \$400,757 more in fiscal 2021 than in fiscal 2020 due mainly to salaries to meet COVID-19 conditions.
- Net position, or total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources, increased by approximately \$330,000 during fiscal 2021, an increase of approximately 48%.

2020 FINANCIAL HIGHLIGHTS

- The Organization's operating revenues increased 24%, or \$360,466, from fiscal 2019 to fiscal 2020.
- The Organization's operating expenses were 3%, or \$55,421 more in fiscal 2020 than in fiscal 2019 due mainly to salaries to meet COVID-19 conditions.
- Net position, or total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources, increased by approximately \$198,000 during fiscal 2020, an increase of approximately 39.9%.

USING THIS ANNUAL REPORT

Southern Iowa Trolley is a 28E organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to the Organization's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Organization's financial activities.

The Statement of Net Position presents information on the Organization's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Organization is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position is the basic statement of activities for proprietary funds. This statement presents information on operating revenues and expenses, non-operating revenues and expenses, and whether the Organization's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Organization's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Organization financed its activities and how it met its cash requirements.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the Organization's proportionate share of the net pension liability and related contributions.

Supplementary information includes the Schedule of Expenditures of Federal Awards which provides details of various federal programs benefitting the Organization.

FINANCIAL ANALYSIS OF THE ORGANIZATION

Statements of Net Position

As noted earlier, net position may serve over time as a useful indicator of the Organization's financial position. The Organization's net position at the end of fiscal 2021 totaled \$1,023,124, this compares to \$693,416 at the end of fiscal 2020. A summary of the Organization's net position is presented below.

Statements of Net Position

	<u>2021</u>	<u>2020</u>
Current Assets	\$ 546,225	\$ 474,891
Capital Assets	1,218,515	874,982
Deferred Outflows of Resources	<u>211,321</u>	<u>247,437</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,976,061</u>	<u>\$ 1,597,310</u>
Current Liabilities	\$ 96,400	\$ 82,226
Net Pension Liability	793,485	715,338
Deferred Inflows of Resources	63,052	106,330
Net Position	<u>1,023,124</u>	<u>693,416</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 1,976,061</u>	<u>\$ 1,597,310</u>

Current assets increased by \$71,334 from the previous year. Cash decreased by \$129,894 from the previous year. Net operating grant receivable increased by \$204,217 from the previous year as well. The increase in net operating grant receivable is a reflection of additional operating grants being received in fiscal 2021 as a part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

Capital assets, net have increased by \$343,533 in the past year due to capital additions exceeding capital depreciation expense.

Statements of Revenues, Expenses, and Changes in Net Position

Operating revenues are received from federal grants, state grants, and other local sources. Operating expenses are to operate the transit system. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses, and changes in net position for the years ended June 30, 2021 and 2020 are presented below:

	<u>2021</u>	<u>2020</u>
Operating Revenues	\$ 2,126,938	\$ 1,880,166
Operating Expenses	<u>2,273,456</u>	<u>1,872,699</u>
Operating Income (Loss)	(146,518)	7,467
Non-Operating Revenues:		
Interest Income	19	136
Capital Grants	451,874	177,910
Gain on Sale of Assets	<u>24,333</u>	<u>12,268</u>
Increase in Net Position	329,708	197,781
Net Position Beginning of Year	<u>693,416</u>	<u>495,635</u>
Net Position End of Year	<u>\$ 1,023,124</u>	<u>\$ 693,416</u>

The 2021 Statement of Revenues, Expenses, and Changes in Net Position reflects an increase in the net position at the end of the fiscal year.

- Net position for the year increased \$329,708.
- The Organization's operating expenses (without depreciation) were \$2,081,542 and operating revenues were \$2,126,938. With depreciation, the total expenses were \$2,273,456 and operating revenues remained at \$2,126,938.
- State funds and federal funds for the year totaled \$2,049,504. These same funding sources for the previous fiscal year totaled \$1,465,342.
- The Organization experienced lower transportation and services revenue in fiscal 2021 due to the Novel Coronavirus (COVID-19) pandemic.

Statements of Cash Flows

The Statements of Cash Flows present information related to cash inflows and outflows, summarized by operating, capital and related financing, and investing activities. Cash provided by (used in) the operating activities includes federal and state support, program reimbursements, and other revenue, reduced by payments to employees and to suppliers. Cash used in capital and related financing activities includes capital grants, sale of assets, and purchase of capital assets. Cash provided by investing activities includes interest received.

CAPITAL ASSETS

At June 30, 2021, the Organization had \$1,218,515 invested in capital assets, net of accumulated depreciation of \$1,436,301. Depreciation expense totaled \$191,914 for fiscal year 2021. More detailed information about the Organization's capital assets is presented in Note C to the financial statements.

ECONOMIC FACTORS

Southern Iowa Trolley's Board of Directors (with input from local elected officials and citizens) considered various factors when setting the fiscal year 2022 budget and fees that will be charged for agency activities. The Organization's general operations are expected to remain consistent with the previous year, but could vary according to contracts received during the year. Changes in payments for transportation for clients who receive Medicaid benefits are anticipated to be variable due to ongoing changes in Iowa's Medicaid program. In general, transportation for the disabled is anticipated to continue to become less efficient over time as disabled clients are transported more and more to dispersed sites rather than to centralized training centers as in the past, with associated increases in per trip costs.

CONTACTING SOUTHERN IOWA TROLLEY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Organization's finances and to show the Organization's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Transit Director, Southern Iowa Trolley, 215 E. Montgomery Street, Creston, Iowa 50801.

SOUTHERN IOWA TROLLEY
Statements of Net Position
June 30,

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2021</u>	<u>2020</u>
Current Assets:		
Cash	\$ 141,738	\$ 271,632
Accounts receivable	22,240	36,072
Operating grant receivable	371,404	167,187
Prepaid insurance	10,843	--
Total current assets	<u>546,225</u>	<u>474,891</u>
Depreciable capital assets, net	<u>1,218,515</u>	<u>874,982</u>
Total assets	1,764,740	1,349,873
Deferred Outflows of Resources - Pension	<u>211,321</u>	<u>247,437</u>
 Total assets and deferred outflows of resources	 <u>\$ 1,976,061</u>	 <u>\$ 1,597,310</u>

The accompanying notes are an integral part of these statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	<u>2021</u>	<u>2020</u>
Current Liabilities:		
Accounts payable	\$ 19,801	\$ 17,203
Salaries and benefits payable	50,023	37,767
Compensated absences payable	<u>26,576</u>	<u>27,256</u>
Total current liabilities	96,400	82,226
Net Pension Liability	<u>793,485</u>	<u>715,338</u>
Total liabilities	889,885	797,564
Deferred Inflows of Resources - Pension	63,052	106,330
Net Position:		
Invested in capital assets	1,218,515	874,982
Unrestricted	<u>(195,391)</u>	<u>(181,566)</u>
Total net position	1,023,124	693,416
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,976,061</u>	<u>\$ 1,597,310</u>

SOUTHERN IOWA TROLLEY
Statements of Revenues, Expenses and Changes in Net Position
Year ended June 30,

	<u>2021</u>	<u>2020</u>
Operating Revenues:		
Transportation and services revenue	\$ 373,895	\$ 428,264
Farebox and ticket revenue	97,469	101,776
Member operating support	57,944	62,694
Federal operating grants	1,215,244	916,637
State operating grant	<u>382,386</u>	<u>370,795</u>
Total operating revenues	2,126,938	1,880,166
Operating Expenses:		
Salaries and wages	1,361,650	1,039,515
Payroll taxes	108,504	82,646
Pension expense	151,470	153,298
Workers compensation insurance	38,583	55,887
Employee screenings	3,613	5,627
Uniforms	7,072	9,086
Education and training	1,005	1,459
Contract services	6,000	6,000
Fuel	97,925	96,574
Vehicle maintenance	81,352	73,806
Insurance	109,517	92,967
Depreciation	191,914	154,853
Occupancy	37,103	38,010
Telephone	16,787	16,761
Office supplies	12,703	15,432
Equipment and maintenance	17,271	4,565
Printing and publicity	11,264	10,371
Dues and subscriptions	4,519	3,172
Travel and meetings	4,144	6,422
Professional fees	<u>11,060</u>	<u>6,248</u>
Total operating expenses	2,273,456	1,872,699
Operating Income (Loss)	(146,518)	7,467
Non-Operating Revenues:		
Interest income	19	136
Gain on sale of assets	<u>24,333</u>	<u>12,268</u>
Total non-operating revenues	24,352	12,404
Excess of Revenues (Expenses) Over Expenses (Revenues) Before Capital Grants	(122,166)	19,871
Capital Grants	<u>451,874</u>	<u>177,910</u>
Increase in Net Position	329,708	197,781
Net Position Beginning of Year	<u>693,416</u>	<u>495,635</u>
Net Position End of Year	<u>\$ 1,023,124</u>	<u>\$ 693,416</u>

The accompanying notes are an integral part of these statements.

SOUTHERN IOWA TROLLEY
Statements of Cash Flows
Year ended June 30,

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received from transportation services	\$ 1,878,609	\$ 1,753,196
Cash received from member support	57,944	62,694
Cash paid to employees	(1,350,074)	(1,037,228)
Cash paid to suppliers	(657,152)	(627,877)
Net cash provided by (used in) operating activities	(70,673)	150,785
Cash flows from capital and related financing activities:		
Proceeds from capital grants	451,874	177,910
Capital expenditures	(535,447)	(228,955)
Proceeds from sale of assets	24,333	29,653
Net cash used in capital and related financing activities	(59,240)	(21,392)
Cash flows from investing activities:		
Interest received	<u>19</u>	<u>136</u>
Net increase (decrease) in cash	(129,894)	129,529
Cash at beginning of year	<u>271,632</u>	<u>142,103</u>
Cash at end of year	<u>\$ 141,738</u>	<u>\$ 271,632</u>

(continued next page)

SOUTHERN IOWA TROLLEY
Statements of Cash Flows - Continued
Year ended June 30,

	<u>2021</u>	<u>2020</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$(146,518)	\$ 7,467
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	191,914	154,853
Change in assets and liabilities		
Accounts receivable	13,832	1,691
Operating grant receivable	(204,217)	(65,967)
Prepaid insurance	(10,843)	1,245
Deferred outflows of resources - pension	36,116	38,457
Accounts payable	2,598	(14,208)
Salaries and benefits payable	12,256	(4,022)
Compensated absences payable	(680)	6,309
Net pension liability	78,147	(43,375)
Deferred inflows of resources - pension	(43,278)	68,335
Total adjustments	<u>75,845</u>	<u>143,318</u>
Net cash provided by (used in) operating activities	<u>\$(70,673)</u>	<u>\$ 150,785</u>

The accompanying notes are an integral part of these statements.

SOUTHERN IOWA TROLLEY
Notes to Financial Statements
June 30, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Organization's significant accounting policies applied in the preparation of the accompanying financial statements follows.

1. Reporting Entity

Southern Iowa Trolley was formed in 2012 in accordance with Chapter 28E of the Code of Iowa. The purpose of the Organization is to provide safe and reliable transportation to the general public in the member counties. Primary customer groups are persons with disabilities, the elderly and students. The Organization is governed by a Board of Trustees composed of one representative from the seven member counties of Adair, Adams, Clarke, Decatur, Ringgold, Taylor and Union.

For financial reporting purposes, the Organization has included all funds, organizations, agencies, boards, commissions and authorities. The Organization has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Organization are such that exclusion would cause the Organization's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (a) the ability of the Organization to impose its will on that organization or (b) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Organization. The Organization has no component units which meet the Governmental Accounting Standards Board criteria.

2. Basis of Presentation

The Statement of Net Position displays the Organization's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position:

- a. *Nonexpendable* - Nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Organization.
- b. *Expendable* - Expendable net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

SOUTHERN IOWA TROLLEY
Notes to Financial Statements
June 30, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

When both restricted and unrestricted net position is available for use, generally it is the Organization's policy to use restricted net position first.

3. Measurement Focus and Basis of Accounting

Measurement focus refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying basic financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

4. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. Accounts Receivable

The Organization considers accounts and operating grant receivables to be fully collectible, accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

6. Capital Assets

The Organization's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Capital assets with lives in excess of four years and cost in excess of \$2,000 are capitalized. These capital assets, other than land, are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using their estimated useful lives of five to ten years for vehicles and equipment.

SOUTHERN IOWA TROLLEY
Notes to Financial Statements
June 30, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

7. Compensated Absences

Full-time employees of the Organization earn paid time off hours at varying rates depending on years of service, up to a maximum of 120 hours per year. Paid time off, at varying rates, up to a maximum of 120 hours may be carried over to the subsequent fiscal year. Any excess over 120 hours accumulated by July 1 of each year is lost. The computed amount of paid time off earned by year end has been computed based on rates of pay in effect at June 30.

8. Grant Revenue

Grant proceeds for operating activities are recorded in income as they are earned and are reported as a part of operating revenue. Capital grants are recorded as non-operating revenue.

9. Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less.

10. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the Organization after the measurement date but before the end of the Organization's reporting period.

11. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

12. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the Statement of Net Position consists of the unrecognized items not yet charged to pension expense and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

SOUTHERN IOWA TROLLEY
Notes to Financial Statements
June 30, 2021 and 2020

NOTE B - DEPOSITS

The Organization's deposits in banks at June 30, 2021 and 2020 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The Organization is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Organization; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Organization had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Interest Rate Risk - The Organization's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Organization.

NOTE C - CAPITAL ASSETS

Capital assets, additions, disposals and balances for the years ended June 30, 2021 and 2020 were as follows:

<u>Cost</u>	<u>Balance 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2021</u>
Vehicles	\$ 2,359,233	\$ 535,447	\$ (341,800)	\$ 2,552,880
Equipment	<u>101,936</u>	<u>--</u>	<u>--</u>	<u>101,936</u>
	2,461,169	535,447	(341,800)	2,654,816
<u>Depreciation</u>				
Vehicles	1,521,613	184,222	(341,800)	1,364,035
Equipment	<u>64,574</u>	<u>7,692</u>	<u>--</u>	<u>72,266</u>
Total Depreciation	<u>1,586,187</u>	<u>191,914</u>	<u>(341,800)</u>	<u>1,436,301</u>
Depreciable Capital Assets, Net	<u>\$ 874,982</u>	<u>\$ 343,533</u>	<u>\$ --</u>	<u>\$ 1,218,515</u>

SOUTHERN IOWA TROLLEY
Notes to Financial Statements
June 30, 2021 and 2020

NOTE C - CAPITAL ASSETS - Continued

<u>Cost</u>	<u>Balance 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2020</u>
Vehicles	\$ 2,236,204	\$ 228,955	\$(105,926)	\$ 2,359,233
Equipment	<u>101,936</u>	<u>--</u>	<u>--</u>	<u>101,936</u>
	2,338,140	228,955	(105,926)	2,461,169
<u>Depreciation</u>				
Vehicles	1,462,993	147,161	(88,541)	1,521,613
Equipment	<u>56,882</u>	<u>7,692</u>	<u>--</u>	<u>64,574</u>
Total Depreciation	<u>1,519,875</u>	<u>154,853</u>	<u>(88,541)</u>	<u>1,586,187</u>
Depreciable Capital Assets, Net	<u>\$ 818,265</u>	<u>\$ 74,102</u>	<u>\$(17,385)</u>	<u>\$ 874,982</u>

NOTE D - LONG-TERM LIABILITIES

A schedule of changes in the Organization's long-term liabilities for the years ended June 30, 2021 and 2020 follows:

	<u>Balance 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2021</u>	<u>Current Portion</u>
Net Pension Liability	<u>\$ 715,338</u>	<u>\$ 78,147</u>	<u>\$ --</u>	<u>\$ 793,485</u>	<u>\$ --</u>
	<u>Balance 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2020</u>	<u>Current Portion</u>
Net Pension Liability	<u>\$ 758,713</u>	<u>\$ --</u>	<u>\$ 43,375</u>	<u>\$ 715,338</u>	<u>\$ --</u>

The pension liability, as further described in Note E, represents an actuarial estimate of the Organization's share of the Iowa Public Employee Retirement System (IPERS) unfunded pension liability.

SOUTHERN IOWA TROLLEY
Notes to Financial Statements
June 30, 2021 and 2020

NOTE E - PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the Organization, except for those covered by another retirement system. Employees of the Organization are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

SOUTHERN IOWA TROLLEY
Notes to Financial Statements
June 30, 2021 and 2020

NOTE E - PENSION PLAN - Continued

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal years 2021 and 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the Organization contributed 9.44% of covered payroll for a total rate of 15.73%.

The Organization's contributions to IPERS for the years ended June 30, 2021 and 2020 totaled \$76,614 and \$95,289, respectively.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2021 and 2020, the Organization reported a liability of \$793,485 and \$715,338, respectively for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and 2019 respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Organization's proportion of the net pension liability was based on the Organization's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the Organization's proportion was 0.011296%, which was a decrease of 0.001057% from its proportion measured as of June 30, 2019.

SOUTHERN IOWA TROLLEY
Notes to Financial Statements
June 30, 2021 and 2020

NOTE E - PENSION PLAN - Continued

For the years ended June 30, 2021 and 2020, the Organization recognized pension expense of \$151,470 and \$153,298, respectively. The Organization reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021 Deferred Outflows of Resources	2021 Deferred Inflows of Resources	2020 Deferred Outflows of Resources	2020 Deferred Inflows of Resources
Differences between expected and actual experience	\$ 877	\$ 18,808	\$ 1,983	\$ 25,720
Changes of assumptions	40,729	--	76,623	--
Net difference between projected and actual earnings on IPERS' investments	44,607	--	--	80,610
Changes in proportion and differences between Organization contributions and proportionate share of contributions	48,494	44,244	73,542	--
Organization contributions subsequent to the measurement date	<u>76,614</u>	<u>--</u>	<u>95,289</u>	<u>--</u>
	<u>\$ 211,321</u>	<u>\$ 63,052</u>	<u>\$ 247,437</u>	<u>\$ 106,330</u>

Deferred outflows of resources related to pensions of \$76,614 and \$95,289 represent the amount the Organization contributed subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended June 30, 2022 and 2021, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	2021	2020
2021	\$ --	\$ 40,531
2022	24,827	6,495
2023	23,285	5,345
2024	11,474	(6,529)
2025	17,158	(24)
2026	<u>(5,089)</u>	<u>--</u>
	<u>\$ 71,655</u>	<u>\$ 45,818</u>

There were no non-employer contribution entities to IPERS.

SOUTHERN IOWA TROLLEY
Notes to Financial Statements
June 30, 2021 and 2020

NOTE E - PENSION PLAN - Continued

Actuarial Assumptions - The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increases (effective June 30, 2017)	3.25% to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an economic assumption dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	4.43%
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
Total	<u>100%</u>	

SOUTHERN IOWA TROLLEY
Notes to Financial Statements
June 30, 2021 and 2020

NOTE E - PENSION PLAN - Continued

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the Organization will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Organization's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Organization's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Organization's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Organization's proportionate share of the net pension liability - June 30, 2021	\$ 1,323,069	\$ 793,485	\$ 349,437
	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Organization's proportionate share of the net pension liability - June 30, 2020	\$ 1,270,209	\$ 715,338	\$ 249,918

IPERS Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS - At June 30, 2021 and 2020, the Organization reported payables to IPERS of \$ - 0 - and \$ - 0 - , respectively for legally required employer contributions and \$ - 0 - and \$ - 0 - , respectively for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

SOUTHERN IOWA TROLLEY
Notes to Financial Statements
June 30, 2021 and 2020

NOTE F - CONCENTRATION OF CREDIT RISK

The Organization grants credit without collateral to its clients, most of whom are area businesses and local governments. The mix of receivables at June 30, 2021 and 2020, was as follows:

	2021	2020
Area businesses	77%	99%
Local governments	19	1
Individuals	4	0
	<u>100%</u>	<u>100%</u>

NOTE G - COMMITMENTS AND CONTINGENCIES

Economic Dependency

The Organization received approximately 75% (68% for 2020) of its operating revenue from its federal and state operating grants for the year ended June 30, 2021. The Organization's federal and state operating grants have been renewed for the fiscal year ending June 30, 2022.

Risk Management

The Organization is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage during the past three years.

Subsequent Events

The Organization has evaluated all subsequent events through December 10, 2021, the date the financial statements were available to be issued.

NOTE H - BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are not reported as Required Supplementary Information. As there is no legal requirement to adopt a budget, GASB 34 does not require this disclosure.

NOTE I - MATTERS AFFECTING CURRENT AND SUBSEQUENT YEARS OPERATIONS

On March 11, 2020 the World Health Organization declared the Novel Coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The Organization cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the Organization's financial position, results of operations or cash flows in FY2022 and beyond.

* * *

REQUIRED SUPPLEMENTARY INFORMATION

SOUTHERN IOWA TROLLEY
Schedule of the Organization's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Seven Years

Required Supplementary Information

	<u>2021</u>	<u>2020</u>
Organization's proportion of the net pension liability	0.011296%	0.012353%
Organization's proportionate share of the net pension liability	\$ 793,000	\$ 715,000
Organization's covered payroll	\$ 1,006,000	\$ 941,000
Organization's proportionate share of the net pension liability as a percentage of its covered payroll	78.83%	75.98%
IPERS net position as a percentage of the total pension liability	82.90%	85.45%

Note - In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year. Amounts reported are rounded.

See accompanying independent auditor's report.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.011989%	0.010875%	0.010002%	0.009851%	0.009691%
\$ 759,000	\$ 718,000	\$ 624,000	\$ 490,000	\$ 392,000
\$ 905,000	\$ 802,000	\$ 711,000	\$ 681,000	\$ 647,000
83.87%	89.53%	87.64%	71.95%	60.59%
83.62%	82.21%	81.82%	85.19%	87.61%

SOUTHERN IOWA TROLLEY
Schedule of Organization Contributions

Iowa Public Employees' Retirement System
For the Last Nine Years

Required Supplementary Information

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Statutorily required contribution	\$ 77,000	\$ 95,000	\$ 89,000
Contributions in relation to the statutorily required contribution	<u>(77,000)</u>	<u>(95,000)</u>	<u>(89,000)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Organization's covered payroll	\$ 812,000	\$ 1,006,000	\$ 941,000
Contributions as a percentage of covered payroll	9.44%	9.44%	9.44%

Note - GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Southern Iowa Trolley will present information for those years for which information is available. Amounts reported are rounded.

See accompanying independent auditor's report.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 81,000	\$ 72,000	\$ 65,000	\$ 61,000	\$ 58,000	\$ 58,000
<u>(81,000)</u>	<u>(72,000)</u>	<u>(65,000)</u>	<u>(61,000)</u>	<u>(58,000)</u>	<u>(58,000)</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
\$ 905,000	\$ 802,000	\$ 711,000	\$ 681,000	\$ 647,000	\$ 664,000
8.93%	8.93%	9.20%	8.93%	8.93%	8.66%

SOUTHERN IOWA TROLLEY
Notes to Required Supplementary Information - Pension Liability
Year Ended June 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

* * *

SUPPLEMENTARY INFORMATION

SOUTHERN IOWA TROLLEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2021

<u>Grantor/Program</u>	<u>Assistance Listing Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Program Expenditures</u>
Indirect:			
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Formula Grants for Rural Areas:			
Rural Transit Assistance Program	20.509	TFS20-077	\$ 300
Non-Urban Surface Transportation			
Project	20.509	2019-016-00-140-FY19	38,572
Non-Urban Operating Assistance			
Project	20.509	2019-024-00-140-SFY20	60,004
Non-Urban Operating Assistance			
Project	20.509	2019-024-01-140-SFY21	411,572
Coronavirus Aid, Relief, and Economic			
Security Act	20.509	2020-010-00-FY20	743,368
			<u>1,253,816</u>
Federal Transit Cluster:			
Bus and Bus Facilities Project	20.526	2019-008-01-140-FY19	123,003
Bus and Bus Facilities Project	20.526	2019-007-00-140-FY18	155,890
Bus and Bus Facilities Project	20.526	2019-008-00-140-FY18	134,409
			<u>413,302</u>
Total Expenditures of Federal Awards			<u>\$ 1,667,118</u>

Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Southern Iowa Trolley under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Southern Iowa Trolley, it is not intended to and does not present the financial position, changes in financial position or cash flows of Southern Iowa Trolley.

Summary of Significant Accounting Policies - Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate - Southern Iowa Trolley has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Trustees
Southern Iowa Trolley
Creston, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Southern Iowa Trolley, as of and for the years ended June 30, 2021 and 2020, and the related notes to financial statements, and have issued our report thereon dated December 10, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southern Iowa Trolley's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southern Iowa Trolley's internal control. Accordingly, we do not express an opinion on the effectiveness of Southern Iowa Trolley's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Organization's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: II-A-21.

To the Board of Trustees
Southern Iowa Trolley

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southern Iowa Trolley's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

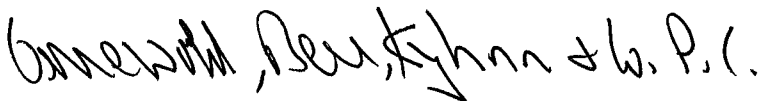
Comments involving statutory and other legal matters about the Organization's operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Organization. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Southern Iowa Trolley's Response to Finding

Southern Iowa Trolley's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Southern Iowa Trolley's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Brent Johnson & Co. P.C.", is written over the printed name.

Atlantic, Iowa
December 10, 2021

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Trustees
Southern Iowa Trolley
Creston, Iowa

Report on Compliance for Each Major Federal Program

We have audited Southern Iowa Trolley's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2021. The Organization's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Southern Iowa Trolley's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Southern Iowa Trolley's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Southern Iowa Trolley's compliance.

Opinion on the Major Federal Program

In our opinion, Southern Iowa Trolley complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

To the Board of Trustees
Southern Iowa Trolley

Report on Internal Control Over Compliance

Management of Southern Iowa Trolley is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Southern Iowa Trolley's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Southern Iowa Trolley's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Conner, Beer, Kohn & Co. P.C.

Atlantic, Iowa
December 10, 2021

SOUTHERN IOWA TROLLEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

Part I: Summary of the Independent Auditor's Results:

- (a) An unmodified opinion was issued on the financial statements prepared in accordance with accounting principles generally accepted in the United States of America.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements. The audit did not disclose any material weaknesses in internal control over financial reporting.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) The audit did not disclose any material weaknesses or significant deficiencies in internal control over the major program.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose any audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was Assistance Listing Number 20.509 - Formula Grants for Rural Areas.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Southern Iowa Trolley did not qualify as a low-risk auditee.

SOUTHERN IOWA TROLLEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-21 Segregation of Duties:

Criteria: Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Organization's financial statements.

Condition: A limited number of people have the primary responsibility for most of the accounting and financial reporting duties.

Cause: The Organization has a limited number of employees which does not allow procedures to be established to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect: Inadequate segregation of duties could adversely affect the Organization's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation: We recognize that it may not be economically feasible for the Organization to employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Board is aware of this lack of segregation of duties, but it is not economically feasible for the Organization to employ additional personnel for this reason. The Board will continue to act as an oversight group.

Conclusion: Response accepted.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

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SOUTHERN IOWA TROLLEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

Part III: Findings and Questioned Costs For Federal Awards:

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

* * *

PART IV - OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

- IV-A-21 Questionable Expenditures - No expenditures were noted that do not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-B-21 Travel Expense - No expenditures of Organization money for travel expenses of spouses of Organization officials or employees were noted.
- IV-C-21 Business Transactions - No business transactions between the Organization and Organization officials or employees were noted.
- IV-D-21 Restricted Donor Activity - No transactions were noted between the Organization, Organization officials, Organization employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- IV-E-21 Bond Coverage - Surety bond coverage of Organization officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- IV-F-21 Board Minutes - No transactions requiring Board approval were noted which had not been approved.
- IV-G-21 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Organization's investment policy were noted.

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